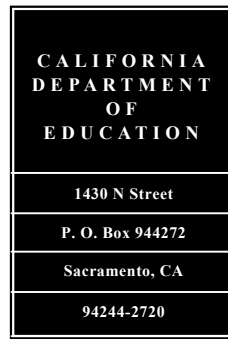




JACK O'CONNELL
State Superintendent of Public Instruction



January 23, 2003

To: County and District Chief Business Officials
Charter School Administrators

From: Janet Sterling, Director
School Fiscal Services Division

Subject: Update Regarding Apportionment Issues

The purpose of this memorandum is to provide information regarding a number of issues related to the Principal Apportionment process. These include:

- Implementation of the Principal Apportionment System Rewrite (PASR)
- Cap for Supplemental Instruction Program for Pupils in Grades 2 to 6 At-Risk of Retention
- Clarification - Special Education extended year divisor
- Revisions to prior year apportionment data
- Non-Implementation of SB 955
- Changes in the Gifted and Talented Program (GATE) reporting form and certification
- Direct Services and charter school average daily attendance (ADA)

This memorandum addresses a wide range of issues that may affect multiple program areas; please share this information with the appropriate staff.

Implementation of PASR

The PASR project will result in new software packages providing school districts, charter schools, and county offices of education a mechanism to collect, consolidate, and edit local attendance and revenue data required by us for determining the state apportionment for K-12 educational programs. The software is being implemented in phases during the fiscal year.

The *School District Attendance Data Collection* software has been finalized and training was provided to county office staff in November. The software is available on the California Department of Education (CDE) website at the following link: www.cde.ca.gov/fiscal/software. For the First Principal Apportionment (P-1), the software should be used to report the attendance data for school districts and charter schools to their county offices of education.

For the Second Principal Apportionment (P-2), school districts and charter schools will continue to use the *School District Attendance Data Collection Software* to report attendance data to submit to county offices of education. The county offices will use the *Attendance Software-County Log-on Supplement* for collecting county office of education, school district, and charter school attendance (J-27/28, J-18/19C, J-27/28CH/COE, and Handicapped ROC/P) and taxes (J-29C, J-29B, and J-29.1). We hope to begin field-testing the new components of the software in February and training is planned for March 24-26, 2003. For the revenue data you will continue to submit your county and district revenue forms and schedules on paper.

The remainder of the revenue limit software should be completed by June 2003. The *Revenue Limit Data Collection Software* will be used to collect all data necessary to calculate the apportionment and will replace all current forms of data collection. Both the attendance and revenue limit software will use new data entry screens to replace the old hard copy forms. It will also provide data import and export capability to Microsoft Excel, forecasting and reconciliation capability, and standard reports and ad hoc form generation capability. After the completion of the software, we will schedule another training session to train you on all of the data entry screens and reports in the revenue limit software.

We have been working with you in developing and testing the software and will continue to do so as we implement additional components. We realize that the timeframe is short for training and implementation but believe that the result will be worth the extra effort. We appreciate your ongoing cooperation, patience, and understanding in this complex process.

Changes in Cap for Supplemental Instruction for Grades 2 to 6 At-Risk Of Retention

Under current statute, there is no cap on the amount of funds that school districts and charter schools can receive for the supplemental instruction programs provided to students in grades 2 through 6 who have been identified as at risk of retention. School districts and charter schools can also provide supplemental instruction to students in grades 2 through 6 who have been identified as having an academic deficiency based on tests included in the Standardized Testing and Reporting Program. However, there is a cap on the total amount that school districts and charter schools can receive for this program of five percent of the district's or charter school's total enrollment in grades 2 through 6 for the prior fiscal year multiplied by 120 hours, multiplied by \$3.45 per hour.

Beginning January 1, 2003, these two programs are combined and the funding that school districts and charter schools will be eligible to receive for students served in both programs is based on five percent of the prior year enrollment. If there are funds remaining in the Budget Act appropriation for these programs at the annual apportionment, districts and charter schools can be reimbursed for serving in excess of five percent, but it can be no more than seven percent. However, there is no guarantee that there will be any balance, and it will not be known if funding can be provided for programs serving more than five percent until the annual apportionment in February of 2004.

Districts and charter schools should review the number of students they are serving in these supplemental instruction programs to ensure that the new cap will not result in a loss of revenue.

There are several other supplemental instruction programs available for students in grades 2 through 6 that local educational agencies (LEAs) may be able to use to meet students' needs without exceeding the new cap.

Special Education Extended Year Divisor

School districts are required to report three categories of Extended Year ADA in the attendance reporting forms J-18/19, J-18/19B and J-18/19S. The ADA is calculated based on a divisor which has historically been 175, but this number is not specified in statute. Due to some confusion that resulted from legislation related to instructional time requirements enacted in the 2001-2002 fiscal year, CDE changed the divisor to 180 on the 2001-2002 fiscal year attendance reporting forms. After researching this issue, CDE believes that the legislation does not apply to the Extended Year ADA calculation. We believe that the divisor of 175 is equitable due to the adjustments made in the special education funding methodology to convert from the old J-50 system when AB 602 was enacted.

Therefore, the 2002-2003 fiscal year attendance forms and new PASR attendance software has been corrected to reflect 175 as the divisor for the Extended Year ADA. If any districts incorrectly reported ADA in the 2001-2002 fiscal year using 180 as the divisor, they should submit corrections by March 15, 2003 for inclusion in the Second Principal Apportionment. In addition, CDE will be pursuing legislation to establish the divisor in statute.

Prior Year Revisions

It is occasionally necessary for LEAs to amend information provided in attendance, enrollment, and class size reduction forms for prior years. It is important for us to know the reasons for any such revisions to be able to comply with the education code requiring that recovered funds are appropriately accounted for.

We want to remind you that, as in the past, when you submit a revised attendance report (e.g., the J-18/19 or J-27/28) or a revised class size reduction form (e.g. the J7CSR or J-9MH-A), you must also provide documentation as to the reason for each requested revision. Attached is a form that can be used to provide the information. Regardless of the format you choose to use, your documentation should include:

- the reason for each revision,
- both the revised ADA or enrollment count, as well as the amount(s) originally reported, and
- if the adjustment is related to an audit finding, the year of the audit report and the finding number

As in the past, if the corrections are more than one year old, concurrence of your independent auditor is also required. The forms and explanations should be submitted to the address and contact person on the forms, through the county office of education if county office review was required on the initial submittal, or directly to CDE, as appropriate.

If you need additional information regarding prior year revisions, please contact Steve Kotani at (916) 323-6195 or by e-mail at skotani@cde.ca.gov.

Non-Implementation of SB 955

Senator Dede Alpert's Senate Bill 955 (Chapter 580, Statutes of 2001) addressed several issues related to charter schools, including adjustments to property tax revenue for students who reside in a basic aid district but attend a charter school in a non-basic aid district. There were a number of technical problems with the bill that would make it difficult and possibly very expensive to implement. As currently written, CDE would be unable to calculate property taxes for charter schools for the Advance Apportionment or to settle-up for actual taxes and revised ADA for the districts and charter schools, and it is unclear which fiscal year's ADA and property taxes are to be used in the funding calculations. In addition to these technical problems, the bill would require costly and significant changes in the current apportionment processes. To implement the bill, the First and Second Principal apportionment processes would have to be moved forward at both the state and local level by a minimum of 19 days, all charter schools would be required to track ADA by pupil, districts could be required to alter their property tax allocation schedule, and basic aid districts would have to verify residency of all pupils claimed by the charter school to be the in-lieu tax responsibility of the district.

CDE believes that the statutory guidance necessary to implement SB 955 is missing from current statute and the provisions of the legislation cannot be implemented. Therefore we will make no changes to the property tax adjustments for charter schools in the 2002-2003 fiscal year.

Changes in GATE Reporting

The funding formula for the GATE program was changed in statute by AB 2313, Chapter 748 of 2000. Funding is no longer based on the number of pupils participating in one or two semesters. Instead, participating districts receive funding based on the second period (P-2) prior-year ADA. Districts with fewer than 1,500 ADA will receive no less than \$2,500 or the amount they received in the Annual 1998-1999 apportionment, whichever is greater. In addition, no district will receive less per ADA than the amount it received per ADA in 1999-2000.

Because LEAs are no longer required to report the number of pupils participating by semester, CDE will be eliminating the Form J-22 Supplement, but we will be adding a certification to the *K-12 Certification* for the county offices to certify that districts that receive funding have students participating in a state approved GATE Program and are eligible to receive state funds appropriated for this purpose as per *Education Code* sections 52200-52212.

Direct Services

In response to questions regarding how charter school ADA should be treated in determining if a district meets the “small district” direct service eligibility requirement CDE’s attorneys have completed a review of the charter school statutes. It is CDE’s legal opinion that charter school ADA should be included when determining whether school districts meet the “small district” direct service eligibility requirement and in calculating the funding for county offices.

Therefore, beginning in the current fiscal year, CDE will include charter school ADA in calculating funding for county offices of education for direct services pursuant to *Education Code* Section 2550.

If you have any questions regarding this issue, please contact Daphne Kelly at (916) 324-6178 or by e-mail at dakelley@cde.ca.gov.

Should you have any questions about the information in this memorandum, or if we can be of further assistance, please contact the Office of Principal Apportionment and Audit Resolution at (916) 322-4541.

JS:dc

Attachment

Date _____

REVISION WORKSHEET

County _____ County Code [__ __]

District _____ District Code [__ __ __ __]
School Code [__ __ __ __ __ __]

Charter School _____ Charter Number [__ __ __]

☐ P2 ☐ Annual

☐ J-18/19 Series ☐ J-18/19C ☐ J-CSR ☐ J-27/28 Series ☐ J-18/19CH Series

☐ Data Collection Schedule

☐ Other _____

☐ Fiscal Year of Report _____

Reason For Revision

☐ Audit Finding
Audit Year _____ Finding No. _____
Finding No. _____
Finding No. _____

☐ District Review/Recalculation

☐ Other (specify): _____

LEA Contact and Telephone Number

